

Franchise Tax Board**ANALYSIS OF ORIGINAL BILL**

Author: Parra Analyst: Kristina E. North Bill Number: AB 1001
Related Bills: None Telephone: 845-6978 Introduced Date: February 22, 2007
Attorney: Douglas Powers Sponsor: _____

SUBJECT: California Ovarian Cancer Research Fund

SUMMARY

This bill would establish the California Ovarian Cancer Research Fund for taxpayers to designate a contribution on the personal income tax return.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to establish a systematic program to conduct research regarding the cause, cure, and prevention of ovarian cancer.

EFFECTIVE/OPERATIVE DATE

This bill would become effective and operative January 1, 2008, and would apply to tax returns filed on or after January 1, 2009.

POSITION

Pending.

ANALYSISSTATE LAW

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to any of the 14 voluntary contribution funds (VCFs) listed on the state personal income tax (PIT) return.

With the following exceptions, VCFs remain on the PIT return until they are either repealed or fail to meet their minimum contribution amount.

- Except for the California Seniors Special Fund, which has no sunset date, each VCF has a specific sunset date.
- Except for the California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Foundation Memorial Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- Except for the California Fund For Senior Citizens, each of the remaining VCF minimum contribution amounts is adjusted annually for inflation.

Board Position:

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Department Director

Date

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The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The Franchise Tax Board (FTB) is required to make the following two determinations for each VCF by September 1 of each calendar year:

1. The minimum contribution amount required for the VCF to remain on the PIT return for the following calendar year, and
2. Whether estimated contributions to the VCF will be less than the minimum contribution amount for that calendar year.

If FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1st of that calendar year.

General voluntary contribution provisions specify that any contribution amounts designated prior to a fund's repeal must continue to be transferred and disbursed in accordance to the establishing article as it was in effect immediately prior to that repeal.

THIS BILL

This bill would establish the California Ovarian Cancer Research Fund. This bill would allow taxpayers to designate their own funds, not tax liability, for contribution to the fund on their PIT returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable. An itemized deduction as a charitable contribution would be allowed for a contribution made pursuant to this bill.

The "minimum contribution amount" for a calendar year is defined as \$200,000.

This bill would require FTB to make the following two determinations and provide written notification thereof to the University of California by September 1, 2009, and by September 1 of each subsequent year that the fund appears on the PIT return:

1. The minimum contribution amount required for the fund to remain on the return for the following calendar year.
2. Whether estimated contributions to the fund will be less than the minimum contribution amount for that calendar year. If the fund fails to meet the estimated minimum contribution amount, the fund would be repealed beginning on or after January 1st of that calendar year.

This bill would allow the voluntary contribution designation to remain on the PIT return until January 1, 2013, unless a later enacted statute deletes or extends that date.

This bill would specify that if payments and credits reported on the PIT return fail to exceed the taxpayer's liability, then the taxpayer's return shall be treated as if no designation has been made. If the designee is unspecified, the designated contribution amount would be transferred to the General Fund.

This bill would require the State Controller to transfer money designated for this fund by taxpayers from the PIT Fund to the California Ovarian Cancer Research Fund. Upon appropriation by the Legislature, the moneys from this fund must be allocated to: 1) FTB and the Controller for reimbursement of costs incurred in administering this fund, and 2) the University of California for the support of ovarian cancer research. The University of California may use up to 5% of its allocation in administering and promoting ovarian cancer research.

This bill would define “research” to include costs to develop and advance the understanding, techniques, and modalities effective in the prevention, cure, screening, and treatment of ovarian cancer.

The Legislature intends that a space for the California Ovarian Cancer Research Fund appear on the 2008 PIT return. Thus, the fund would first appear on the 2008 PIT return filed in 2009.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

TECHNICAL CONSIDERATIONS

General provisions currently exist for the transfer and disbursement of contribution amounts after the repeal of a voluntary contribution fund under Revenue and Taxation Code section 18871(b); the author may wish to consider removing the subparagraph that repeats these general provisions.

PROGRAM BACKGROUND

Fourteen voluntary contribution funds appeared on the 2006 California PIT return. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$4.3 million in 2005/2006. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 110,000, or slightly less than one percent of all taxpayers.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue loss from this bill would be as follows:

AB 1001 As Introduced Effective For Taxable Years On And After January 1, 2008 Assumed Enactment Date After June 30, 2007			
Fiscal Year	2007/2008	2008/2009	2009/2010
Revenue Loss	N/A	N/A	-<\$150,000

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Revenue Discussion

For this estimate, it is assumed that the fund will go on the 2008 PIT return, the minimum level contribution of \$200,000 will be achieved each year that the fund is on the return, and that an itemized deduction is allowed and claimed for each contribution. By applying an average marginal tax rate of 6%, it is estimated that potential revenue losses total \$12,000 ($\$200,000 \times 6\% = \$12,000$). The revenue impact starts with the taxable year the itemized deduction is claimed on the PIT return. The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

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